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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,012	03/26/2004	James C. Houghton	040150	7758

26285 7590 11/24/2008

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EXAMINER	
MILLER, ALAN S	

ART UNIT	PAPER NUMBER
3624	

MAIL DATE	DELIVERY MODE
11/24/2008	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/810,012	HOUGHTON ET AL.	
	Examiner	Art Unit	
	ALAN MILLER	3624	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *09 September 2008*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-33* is/are pending in the application.

4a) Of the above claim(s) *24-33* is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-23* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☒ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date *3/26/2004*.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

1. This action is in reply to the application filed on 03/26/2004

Claims 1 – 33 are currently pending and claims 1-23 have been examined.

This action is Non Final.

Election/Restrictions

2. Newly submitted claims 24-33 are directed to an invention that is independent or distinct from the invention originally claimed for the following reasons: The newly presented claims are directed towards ***receiving***, by the investment fund, an allocation percentage of the trading account for each investor group to account for profits and losses, and communicating the calculating allocation percentage. The new claims require a different field of search (for example, searching different classes/subclasses or electronic resources, or employing different search queries) (See *Notification of Required and Optional Search Criteria for Computer Implemented Business Method Patent Applications in Class 705, and Request for Comments*, Federal Register, Vol. 66, No. 108, 30167, June 5, 2001).

Since applicant has received an action on the merits for the originally presented invention, this invention has been constructively elected by original presentation for prosecution on the merits. Accordingly, claims 24-33 withdrawn from consideration as being directed to a non-elected invention. See 37 CFR 1.142(b) and MPEP § 821.03.

Response to Arguments

3. Applicant's arguments with respect to claims 1-23 have been considered but are moot in view of the new ground(s) of rejection.

Claim Rejections - 35 USC § 101

4. 35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

5. Claims **1-17, and 21-23** are rejected under 35 U.S.C. 101 based on Supreme Court precedent, and recent Federal Circuit decisions, the Office's guidance to examiners is that a § 101 process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. (*Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780,787-88 (1876)).

An example of a method claim that would not qualify as a statutory process would be a claim that recited purely mental steps. Thus, to qualify as a § 101 statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Here, in claims 1 and 21, applicant's method steps, establishing one or more contractual arrangements, fail the first prong of the new Federal Circuit decision since they are not tied to another statutory class and can be preformed without the use of a particular apparatus. Thus,

claims 1-10 and 21-23 are non-statutory since they may be preformed within the human mind.

Here, in claim 11, applicant's method steps, receiving and calculating, fail the first prong of the new Federal Circuit decision since they are not tied to another statutory class and can be preformed without the use of a particular apparatus. Thus, claims 11-17 are non-statutory since they may be preformed within the human mind.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

7. Claims **1 – 23** are rejected under 35 U.S.C. 103(a) as being unpatentable over Boes (U.S. Patent 5,193,056) in view of Bennett (U.S. Patent 5,761,441).

8. In respect to claims **1** and **21**, Boes discloses determining the allocation percentage (e.g. allocation ratio) that each investor group (e.g. fund) has in the trading account (e.g. portfolio), (column 4, lines 44 – 61; column 3, lines 62 – 68 through column 4, lines 1 – 8) over a trading cycle (e.g. fiscal year) (column 3, lines 62 – 67; column 4, lines 59 - 61).

Boes discloses a partnership (column 1, lines 46- 50) and establishing said partnership with each fund as an investor (column 1, lines 61 – 65). Boes further discloses the portfolio is considered to be a partnership for tax purposes (column 2, lines 3 and 4).

Boes does not explicitly disclose wherein the contractual agreement limits the recourse of the external lender to fund assets allocable to investors of an investor group.

Bennett teaches a contractual agreement between an investor and a lender, limiting the recourse of the lender (see at least column 1, lines 54-68 through column 2, lines 1-48).

It would have been obvious to one of ordinary skill in the art to include in the creation of a contractual partnership of Boes the contractual agreement limiting the recourse of the lender as disclosed in Bennett since both inventions are directed towards investing, since the claimed invention is merely a combination of old elements, and one of ordinary skill in the art would have recognized that it would produce a predictable result of establishing a contractual agreements between partners in a partnership portfolio, and agreements with any external lender that is lending to the investors in the fund, including arrangements that limit the recourse of the lender that allows an investor to invest in the equity of a U.S. corporation which has a reasonably predictable dividend pattern with the expectation, of receiving back at the end of the contract period value equal to his investment plus the full appreciation over the contract period of the stock purchased both with his own funds and with the borrowed funds (Bennett, column 3, lines 1-7).

In regards to the claimed limitation "**if** the tracking account associated with the investor group triggers a margin call on a loan from the external lender", the Examiner further notes the recited "if" does not move to distinguish the claimed invention from the cited art. These phrases are conditional limitations with the noted "if" step not necessarily performed.

Accordingly, once the positively recited steps are satisfied, the method as a whole is satisfied -- regardless of whether or not other steps are conditionally invocable under certain

other hypothetical scenarios (*In re Johnston*, 77 USPQ2d 1788 (CA FC 2006); *Intel Corp. v. Int'l Trade Comm'n*, 20 USPQ2d 1161 (Fed. Cir. 1991); MPEP §2106 II C).

In further regards to claims 1 and 21, the "wherein" statements merely recite the intended result of performing the step of establishing one or more contractual arrangements, and it has been held that a clause in a method is not given weight when it simply expresses the intended result of a process step positively recited ((*Minton v. Nat'l Ass'n of Securities Dealers, Inc.*, 336 F.3d 1373, 1381, 67 USPQ2d 1614, 1620 (Fed. Cir. 2003)). Therefore, the claimed "wherein" clause does not differentiate the claims from the prior art.

9. In respect to claim **2,** Boes discloses a non-U.S. domiciled investment fund (i.e. hedge fund)

In further respect to claim 2, these are just aspects of or clauses in the contractual agreement. Further, a contract represents at best printed matter, or non-functional descriptive material. Therefore, what is found in a contract will not differentiate a claim from the prior art that performs the claimed steps (*In re Ngai*, 367 F.3d 1336, 70 USPQ2d 1862 (Fed. Cir. 2004); *Ex parte Masham*, 2 USPQ2d 1647 (Bd. Pat. App. & Inter. 1987)).

10. In respect to claim **3**, Boes discloses a trading cycle at the beginning of every fiscal year (column 3, lines 62 – 67). Examiner notes that the subscription/redemption cycle of an investment fund can be at the beginning of a fiscal year.

11. In respect to claim **4**, these are just aspects of or clauses in the contractual agreement. Further, a contract represents at best printed matter, or non-functional descriptive material. Therefore, what is found in a contract will not differentiate a claim from the prior art that performs the claimed steps (*In re Ngai*, 367 F.3d 1336, 70 USPQ2d 1862 (Fed. Cir. 2004); *Ex parte Masham*, 2 USPQ2d 1647 (Bd. Pat. App. & Inter. 1987)).

12. In respect to claims **5**, **12**, **19**, and **22**, Boes discloses a book capital account that represents each tracking account's (e.g. fund's) total investment in the trading fund (e.g. portfolio) (column 3, lines 52 -61). Boes further discloses the respective share ownership of the tracking accounts (e.g. funds) in the portfolio being determined by its relative percentage of the total dollar amount of investments in the trading fund (e.g. portfolio). Thereafter, the tracking account's allocation percentage is adjusted through proper adjustments to the book capital account balances of the participating tracking accounts. The respective tracking account book capital accounts continually indicate the accurate relative ownership of the trading fund by each tracking accounts. Each tracking account's book capital account will be either increased or decreased by the amount of profit) or loss, respectively, allocated to the tracking account (column 3, lines 62 – 68 through column 4, lines 1 – 24).

13. In respect to claims **6**, **13**, **20**, **23**, Boes discloses calculating the allocation percentage of the trading account, as per the above claim 5 analysis. Boes discloses calculating allocation ratio by summing the total assets of each fund in the portfolio, and then dividing each funds assets by the total portfolio assets to find that funds percentage ownership (column 3, lines 5 – 16).

Boes does not explicitly disclose multiplying the revised contribution by the maximum leverage ratio, summing the leveraged contribution and dividing the leverage contribution by the sum of leveraged contributions for the tracking accounts.

The claims are however obvious since the claimed invention is no more than simple substitution of one known element for another, i.e. one mathematical formula for calculating the allocation percentage for another, or mere application of known technique to piece of prior art ready for improvement (*Ex parte Smith*, 83 USPQ2d 1509 (Bd. Pat. App. & Int. 2007)).

14. In respect to claims **7**, **9**, **10**, **14**, **16** and **17**, regarding the language of "when one of", according to the MPEP "language that suggest or makes optional but does not require steps to be performed or does not limit a claim to a particular structure does not limit the scope of a claim or claim limitation" (MPEP 2106, II, C).

15. In respect to claims **8** and **15** Boes discloses, as described in the above analysis of claims 5,12, 19 and 22, calculating the allocation percentage of each tracking account (column 3, lines 52 -61; column 3, lines 62 – 68 through column 4, lines 1 – 24).

Boes further discloses calculating the allocation percentage intra-cycle (e.g. daily) (column 4, lines 6 – 8).

16. In respect to claims **11** and **18**, Boes discloses receiving a contribution for each tracking account (e.g. 100% of the funds assets) (column 2, lines 1 – 2) at the start of the trading cycle (column 3, line 62). The fund contributes 100% of its assets to the portfolio on the funds first

day as a portfolio investor. Examiner notes that the first day as a portfolio investor can be the first day of the fiscal year, the trading cycle.

Boes further discloses determining the allocation percentage (e.g. allocation ratio) that each investor group (e.g. fund) has in the trading account (e.g. portfolio), (column 4, lines 44 – 61; column 3, lines 62 – 68 through column 4, lines 1 – 8) over a trading cycle (e.g. fiscal year) (column 3, lines 62 – 67; column 4, lines 59 - 61).

Conclusion

17. The prior art made of record and not relied upon considered pertinent to Applicant's disclosure:

a. TheFreeDictionary.com (http://legal-dictionary.thefreedictionary.com/partnership) discloses that it **is old and well known to have a contractual agreement to form a partnership**.

b. Walker et al. (U.S. Patent 5,794,207) discloses contractual agreements.

c. InvestorWords.com (http://www.investorwords.com/3835/prime_broker.html) **discloses that it is old and well known to have a prime broker be an external lender for a hedge fund**.

d. Conyers Dill & Pearman (http://www.conyersdillandpearman.com/publications.cfm?Sub=5&Content=593) discloses the Segregated Account Companies Act 2000, which teaches segregating accounts and limiting liability of each separate account, by either the Act or by contract.

e. U.S. Securities and Exchange Commission (http://www.sec.gov/investor/pubs/margin.htm) discloses how purchasing on margin works.

f. Kiron et al. (U.S. Patent 5,806, 048) discloses at least a "closed end fund of funds" that allows intra-day trading of funds, and investors being able to leverage investments.

g. Sunday (U.S. Patent Application Publication U.S. 2001/0030395) discloses at least putting up additional money or liquidating a position to cover a margin call.

h. Bennett (U.S. Patent 5,761,441) discloses at least a stock investment limited recourse borrowing contract.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to ALAN MILLER whose telephone number is (571)270-5288. The examiner can normally be reached on Mon - Thur, 9:00am - 5:00pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, BRADLEY BAYAT can be reached on (571) 272-6704. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/A. M./
Examiner, Art Unit 3624

/Bradley B Bayat/
Supervisory Patent Examiner, Art Unit 3624